



Board Report on Marijuana

Tuesday, July 12, 2016

Item No. R-2

Overview



Marijuana Laws



Taxation of Marijuana



Revenue/Costs



Anticipated County
Regulation

Recreational Marijuana Law:

Adult Use of Marijuana Act (AUMA)

(November 8, 2016 Ballot)

- **Dual State and local licensing and permitting for businesses**
 - Consistent with existing laws for medical marijuana
- **Taxation at State and local levels**
- **Personal use and cultivation (with exceptions)**
- **Local jurisdictions retain police powers to regulate or ban**
 - If County bans will not be entitled to State grants
- **County may not ban personal indoor use or cultivation, or use of public roads for transportation of marijuana**
- **State's regulatory duties can be delegated to local agencies – MOU required**

Recreational Marijuana Law:

Adult Use of Marijuana Act (AUMA)

Additional Responsibilities/Costs on Local Government:

- **Administrative Agencies**

County Departments will need to establish, administer, and enforce new regulations and policies, and train staff to implement AUMA

- **Education/Treatment**

County Departments will need to establish substance abuse prevention and treatment programs for juveniles

- **Delegated Enforcement/Licensing**

As determined by the State with MOU by January 1, 2018

- **Resentencing of Marijuana Convictions**

Marijuana related convictions or sentences imposed before ballot measure passes will require additional hearings for reconsideration

Medical Marijuana Law:

Medical Marijuana Regulation and Safety Act

(MMRSA)

(Effective January 1, 2016)

- **Dual licensing, permitting, and regulation for commercial medical marijuana businesses**
 - Establishes baseline standards
 - Local jurisdictions can implement additional standards
- **Preserves police power for local jurisdictions (zoning, licensing)**
- **Local government can tax cultivating, producing, processing, preparing, storing, providing, donating, selling, distributing, or delivery of medical marijuana or products**

County Marijuana Laws:

- **Medical Marijuana Dispensary Ban – All Retail Storefronts**
Effective: January 6, 2011

- **Urgency Ordinance – Temporary ban on other Medical Marijuana land uses**

Effective: April 12, 2016

Expires: June 28, 2017



Preemption

- **AUMA and MMRSA allow local regulation**
- **The County is not preempted by State law**
 - Except cannot ban home personal use or indoor personal cultivation, or use of public roads to transport marijuana
- **However, any laws established by County cannot be less stringent than AUMA or MMRSA**

Taxation of Marijuana: Under AUMA & MMRSA

	AUMA - <u>Recreational Use</u>	MMRSA - <u>Medical Use</u>
State Tax	<p><u>Excise Tax</u></p> <ul style="list-style-type: none"> • 15% of gross receipts <p><u>Cultivation Tax</u></p> <ul style="list-style-type: none"> • \$9.25/ounce dry weight flowers • \$2.75/ounce dry weight leaves <p><u>Revenue Sharing</u></p> <ul style="list-style-type: none"> • County entitled to receive a <u>share</u> of a portion of State tax (20%) if County does not ban sales <p><u>Sales Tax</u></p> <ul style="list-style-type: none"> • Standard State/local sales tax will be collected on recreational marijuana 	<ul style="list-style-type: none"> • Currently State Sales Tax is collected on all sales of medical marijuana and products • If AUMA passes, qualified individuals with State medical marijuana ID cards will be exempted from State sales tax
County Tax	<ul style="list-style-type: none"> • Business Tax on privilege of cultivating, manufacturing, producing, processing, preparing, storing, providing, donating, selling or distributing marijuana. • Entire County or Unincorporated Areas • General tax for any purpose or Special tax for specific use • Standard local sales tax applies to recreational marijuana as a product • No additional sales tax is authorized • If County bans no sales or business tax from <u>unincorporated areas</u> will be received 	<ul style="list-style-type: none"> • Business Tax on privilege of cultivating, manufacturing, producing, processing, preparing, storing, providing, donating, selling or distributing marijuana <u>PLUS deliveries</u> • Entire County or unincorporated areas • General tax for any purpose or Special tax for specific uses • No additional sales tax is authorized

Revenue/Costs: Tax Revenue Timeline

November 8, 2016

AUMA
Prop 64

If both AUMA and
County Business
Tax pass it can be
imposed on
Medical Marijuana
immediately

January 1, 2018

State
Licensing
Begins

If both AUMA and County
Business Tax pass it can be
imposed on
Recreational Marijuana
when State licensing begins

Revenue/Costs:

- **Marijuana sales are primarily a cash business**
- **Payment of County Business Tax likely to occur at the Treasurer's cashiering operation on the 1st Floor Kenneth Hahn Hall of Administration**
- **The Treasurer will review all safety protocols**
- **Ensuring County Receives Tax**
 - Track & Trace System
- **Banking challenges due to inconsistencies with federal law**



Revenue/Costs:

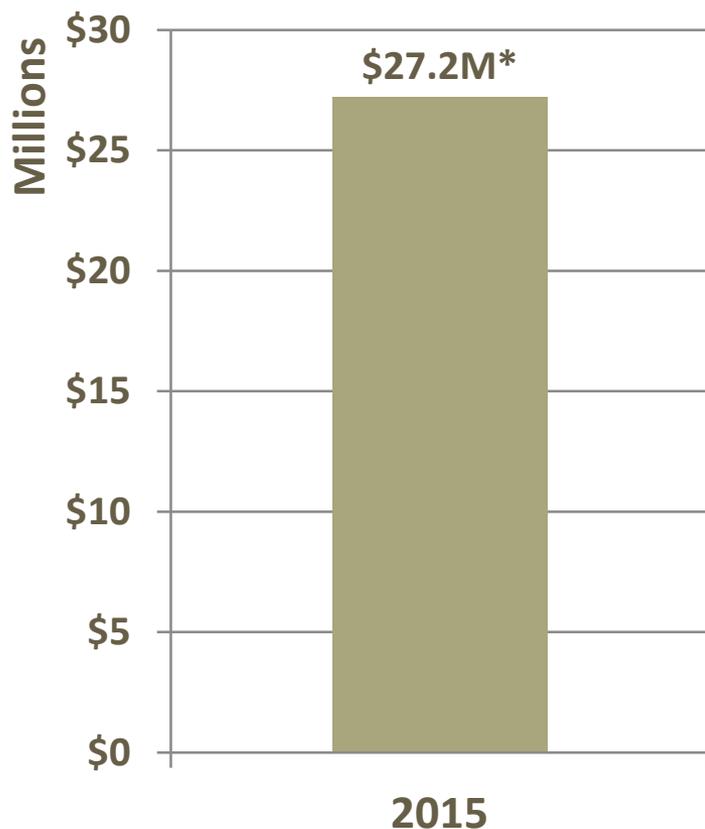
Tax Revenue Reported in Other States

STATE	LAW ENACTED/ TAX EFFECTIVE	GROSS SALES	TAXES IMPOSED	1 ST YEAR REVENUE	RECENT REVENUE
COLORADO	Enacted: Nov 6, 2012 Effective: Jan 1, 2014	Unreported	State Sales Tax 2.9%	FY 2013-2014	Jan-Mar 2016
			Retail Sales Tax 10%	\$13,268,876	\$25,505,517
			Retail Excise Tax 15%	\$9,023,352	\$54,160,749
			Total	\$3,014,839	\$32,567,981
				\$25,307,067	\$112,234,247
WASHINGTON	Enacted: Nov 6, 2012 Effective: July 1, 2014	Fiscal Year 2015 \$260M	Excise Tax 37%	FY 2015	FY 2016
				\$64,880,581	\$185,786,493 (Projected)
OREGON	Enacted: Nov 4, 2014 Effective: Jan 1, 2016	Jan-April 2016 \$42M	State Sales Tax 25% (current but subject to legislative adjustment to 17%)	Jan-April 2016	
				\$10,500,000	

Revenue/Costs:

Denver, CO: Sample Tax Revenue and Expenditures

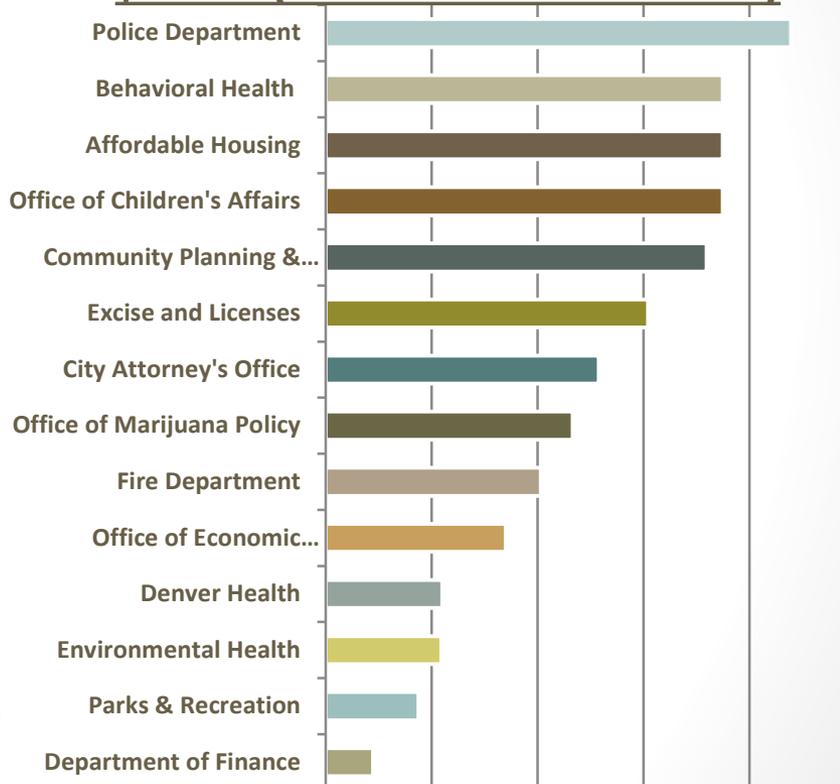
2015 Revenue



*Includes \$2.7M State Share

2015 Expenditures by Department

\$6.9M (25% of Total Revenue)



Total of All Departments: \$6.9M

Regulation of Marijuana: County Departments' Anticipated Regulatory Roles:

- **Department of Regional Planning**

- Land Use Regulations
 - Restrict to specific zones
 - Site standards to avoid land use conflicts
 - Development standards
- CEQA



- **Treasurer and Tax Collector**

- Collection of gross receipts tax
- Business Licensing



- **Agricultural Commissioner/Weights & Measures**

- Cultivation Licensing
- Inspection and Enforcement
 - Pesticide use and residue tolerance
 - Unique identifier program (Track & Trace)
- Weights and measures monitoring
 - Weighing devices & package inspection



Regulation of Marijuana: County Departments' Anticipated Regulatory Roles:

- **Department of Public Health**

- Licensing of Manufacturing & Testing Activities
- Facility Licensing and Inspections



- **Sheriff**

- Increased law enforcement
- Safety issues
- Juvenile use oversight



- **Department of Consumer and Business Affairs**

- Consumer Protection/Fraud Prevention
- Labor/Wage Enforcement



SUMMARY OF POTENTIAL HOMELESS FUNDING REVENUE MEASURES

For the November 8, 2016 General Election

POTENTIAL HOMELESS REVENUE OPTION	PROJECTED ANNUAL REVENUE (with tax rate)	BOARD VOTE REQUIRED	ELECTORATE VOTE REQUIRED	POLL DATE	POLLSTER	*POLL YES %	
						Initial Vote	After Messaging
Parcel Tax	\$189 million (\$0.03 per square foot of improvements on developed property)	3	2/3	6/16	David Binder	67%	61%
				6/16	Arnold Steinberg	69% (77% when in first ballot position of local measures; 61% when in 3 rd ballot position.)	60% (Tested only when this measure was in the 3 rd ballot position of local measures.)
General Transactions and Use Tax (TUT)	\$355 million (1/4 cent)	4	Majority	6/16	David Binder	69%	60%
Special Marijuana Tax	\$78 to \$130 million (10% on medical and recreational marijuana)	3	2/3	6/16	David Binder	69%	64%
General Marijuana Tax	\$78 to \$130 million (10% on medical and recreational marijuana)	4	Majority	None	N/A	N/A (but 64% after messaging for Nov. 2016 marijuana special tax in 6/16 poll)	

July 6, 2016

- * The "Initial Vote" column reflects voter responses before hearing any arguments for or against the measure. The "After Messaging" column reflects voter responses after hearing arguments for and against the measure.